

## Message Text

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ACTION EB-08

INFO OCT-01 ARA-06 EUR-12 ISO-00 CAB-02 CIAE-00  
COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00  
IO-13 /049 W

-----061834Z 087054 /43

P R 061630Z APR 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 932

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMCONSUL MONTREAL

LIMITED OFFICIAL USE BRASILIA 2699

E.O. 11652: N/A

TAGS: EAIR, ICAO

SUBJ: US VIEWS REGARDING ICAO SPECIAL AIR TRANSPORT CONFERENCE.

REF: STATE 68717

1. SUMMARY: US POSITION PRESENTED TO CERNAI OFFICIALS IN RIO AS REQUESTED REFTEL. BASIC REACTION FAVORABLE, THOUGH LONGSTANDING CONTRADICTIONS BETWEEN US AND LDC APPROACHES TO CIVIL AVIATION WERE POINTED OUT BY BRAZILIANS. OUR IMPRESSION IS THAT GOB, HOWEVER, MAY HAVE MOVED SOMEWHAT AWAY FROM ITS PAST ANTI-CHARTER POSITION. END SUMMARY.

2. E/C SECTION CHIEF IN RIO MET WITH BRIG ALFREDO BEREFGUER, PRESIDENT OF COMISSAO DE ESTUDOS RELATIVOS A NAVEGACAO AEREA INTERNACTIONAL (CERNAI), AND EXPOSEITO ALBANOMDA SILVEIRA OF CERNAI. LATTER WILL BE ON BRAZILIAN DELEGATION TO ICAO CONFERENCE. OTHER MEMBERS OF DELEGATION INCLUDE: COL. POMPEU MARQUES PEREZ (PERMANENT ICAO REP OF BRAZIL) MARIA DA GRACA NUNES CAMOES OF FOREIGN MINISTRY, JOSE SIMOES HENRIQUES, AND COL. CORTEZ (BOTH OF LATTER WITH CERNAI). PRIVATE-SECTOR "ASSISTANTS" TO DEL WILL  
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BE JOAO BATISTA ANDRADE OF VARIG AND JOHN PROCTOR OF CRUZEIRO DO SUL. (WHEN ASKED WHY BOTH HALVES OF THE NOW-MERGED VARIG-CRUZEIRO WERE REPRESENTED, CERNAI OFFICIALS SAID THEY WEREN'T "REPRESENTING" CARRIERS BUT HAD BEEN ASKED TO ASSIST BECAUSE OF THEIR SPECIFIC TECHNICAL BACKGROUNDS.)

3. AFTER JOKING THAT GOB WOULD HAVE TO DISAGREE WITH AMERICAN

PRESENTATION "SIMPLY FOR FORM, SINCE WE NEVER COINCIDE ON AVIATION POLICY," BERENGUER NOTED THAT THERE WAS MUCH IN US STATEMENT WITH WHICH CERNAI AGREED. HE HAD NO PROBLEM WITH US ASSERTION THAT THE FOUR MAJOR THEMES OF CONFERENCE COULD NOT BE CONSIDERED SEPARATELY. INDEED, US IN PAST SOMETIMES SINNED BY NOT TAKING INTO ACCOUNT INTERRELATIONSHIPS AMONG FARE POLICY, CAPACITY, ENFORCEMENT, AND NON-SKEDS. IF US WERE NOW MOVING AWAY FROM ITS PREVIOUS INSISTENCE ON A WIDE-OPEN INTERNATIONAL MARKET, WITH RESULTING CUTTHROAT COMPETITION, AND IS WILLING TO HAVE A NEW LOOK AT HOW CHICAGO PRINCIPLES CAN BEST BE ACHIEVED IN A WORLD VERY DIFFERENT FROM THAT OF 1944, HE FELT THAT MUCH COULD BE ACCOMPLISHED. PRIOR TO CALLING IN ALBANO, HE SAID THAT HE FELT CONFERENCE, WHILE USEFUL, WOULD LIKELY ONLY PRODUCE A FEW RECOMMENDATIONS AND NOTHING WITH WHICH ANYONE WOULD HAVE ANY DIFFICULTY. HE NOTED THAT SOME GOVERNMENTS WERE EVEN SENDING TRANSPORT MINISTERS AND OTHERS OF HIGH RANK, BUT GOB WAS NOT CONVINCED THAT THIS WAS CORRECT, GIVEN LIKELY RESULTS. HE DID NOT RESTATE THIS VIEW WHILE ALBANO WAS PRESENT.

4. ALBANO DISCUSSED US POSITION STATEMENT KNOWLEDGEABLY AND AT GREAT LENGTH. HE HAD RECEIVED VARIOUS OTHER STUDIES AND POLICY PAPERS RECENTLY, AND HAD BEEN IMPRESSED BY THE EC AVIATION GROUP'S PAPER ON THE ICAO STRUCTURE. HE ALSO COMMENTED ON A "UTOPIAN" PROPOSAL BY A FRENCH THINK-TANK CALLED ITA (INSTITUT DES TRANSPORTS AERIENNES), WHICH CALLED FOR ELIMINATION OF IATA AND ICAO AND THEIR REPLACEMENT BY A NEW ORGANIZATION.

5. RETURNING TO THE US PAPER, ALBANO SAID THE GOB'S VIEW WAS THAT A RESHAPING OF THE INSTITUTIONS CONTROLLING SCHEDULED AND LIMITED OFFICIAL USE

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NON-SKED CARRIERS, COORDINATING TARIFFS AND CAPACITIES, WAS NECESSARY GIVEN THE DEVELOPMENT OF A THRIVING AND UNCONTROLLED CHARTER INDUSTRY. IN SO DOING, EACH SEGMENT OF CIVIL AVIATION WOULD PAY A PRICE: NON-SKEDS WOULD GIVE UP SOME OF THEIR FREE-WHEELING WAYS WHILE THE SCHEDULED CARRIERS WOULD HAVE "TO ADMIT NON-SKEDS TO THE AVIATION COMMUNITY." ASKED WHETHER THIS INCREASED REGULATION DIDN'T CONFLICT WITH CONSUMER PRESSURES IN DEVELOPED COUNTRIES FAVORING DE-REGULATION, HE AGREED BUT SAID THAT THE DCS AND LDCS SIMPLY FACED DIFFERING AVIATION MARKETS (THE LDC MARKET BEING BASICALLY NON-TOURISM, WITH NOTABLE EXCEPTIONS) AND HAD TO SEEK A MIDDLE GROUND ACCEPTABLE TO BOTH. WHEN QUERIED WHETHER SUCH A SWEEPING CHANGE WOULD NOT AFFECT BRAZIL'S OWN CHARTER POLICY, TO PERMIT CHARTER EXPLOITATION OF WHAT ALBANO HAD SAID WAS A "RIGHTFUL" 20-30 PERCENT OF OVERALL MARKET, HE PROFESSED TO SEE NO CONTRADICTION. PRESSED WHETHER IT WOULD NOT, FOR EXAMPLE, CHANGE VARIG'S WHOLE MARKET APPROACH, HE SAID SIMPLY THAT AS THE MARKET EVOLVED LDC CARRIERS WOULD LIKEWISE EVOLVE IN THEIR OPERATIONS.

6. THEY FELT THAT IATA HAD BEEN REASONABLY SUCCESSFUL IN THE TARIFF-SETTING AREA (THOUGH JOKING ABOUT THE US ABILITY TO GET ITS WAY IN THIS FORUM), BUT HAD BEEN DISASTROUS AT ENFORCEMENT. ALBANO SAID THAT, WHILE THE ITA PROPOSAL WAS TOO RADICAL, SOME MAJOR CHANGES IN ICAO AND IATA WERE VITAL, PARTICULARLY TO POLICE THE NEW MODUS VIVENDI THEY SEE COMING FOR SCHEDULED/NON-SKED OPERATIONS. OF PARTICULAR IMPORTANCE WOULD BE SUPERVISION OF BOTH SEGMENTS' RATES AND A MUCH BETTER ENFORCEMENT OPERATION TO ASSURE "REAL" RATES.

7. BOTH BERENGUER AND ALBANO FOUND THE FORMULATION IN PARA 7 REGARDING THE BERMUDA PRINCIPLES INTERESTING AND SEEMED TO FEEL IT REPRESENTED SOME MOVEMENT IN USG POSITION -- BUT, WHEN ASKED, THEY MERELY SAID THAT BERMUDA HAD BEEN THE CLASSIC STATEMENT OF THE DC POSITION. THEY FOUND THE RESTATEMENT OF THE INTERRELATIONSHIP AMONG THE FOUR AGENDA ITEMS IN THE FINAL PARA UNOBJECTIONABLE.

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8. COMMENT: BERENGUER'S STATEMENTS SUGGEST THE GOB DOES NOT HAVE HIGH EXPECTATIONS RE MONTREAL CONFERENCE. HIS AND ALBANO'S FREQUENT REFERENCE TO FC-LDC DIFFERENCES ON PRICE-SENSITIVE DISCRETIONARY TRAVEL SEEMS TO REPRESENT A GENERALIZED GOB POSTURE, BUT IT COULD ALSO BE IDEOLOGICAL WINDOW-DRESSING FOR PRAGMATIC ACCEPTANCE OF VARIG'S TRADITIONAL ANTI-CHARTER POSTURE. STILL-, THE INTEREST IN FINDING AN OVERALL "SOLUTION" TO THE SCHEDULED/NON-SKED SITUATION -- AND IMPLIED ACCEPTANCE OF CHARTER PRIMACY IN A CERTAIN MARKET SEGMENT -- SUGGESTS POSSIBLE MOVEMENT IN THE GOB'S TRADITIONAL GRUDGING TOLERANCE OF CHARTERS. CRIMMINS

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009